



United States - AML KYC Regulations

Document History

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Disclaimer: Neither Shufti Pro nor the authors of this document shall be held responsible, liable or accountable for the contents of this document. The responsibility to comply with AML - KYC regulations lies with the Client. Achieving full compliance with legal obligations requires a thorough analysis of the specific situation, organisational requirements, and regulatory practices. The information provided in this document should be seen as an overview of requirements and measures towards conducting proper and satisfactory Identity Verification procedures. This document suggests general measures in line with recommendations, resources, or procedures provided by relevant laws and authorities to support identity verification requirements. The mere reference to or reliance placed on this document alone does not constitute a warranty of any system nor does it guarantee legal compliance. It remains the sole responsibility of the Client to comply with its legal obligations.

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1. Introduction

The United States's Bank Secrecy Act, and the USA Patriot Act lay down guidelines to protect and preserve the integrity of the United States' financial system to ensure that the United States shall not be used as a money laundering site for the proceeds of any unlawful activity. This framework includes the application of a risk-based approach, customer due diligence ("CDD") measures, reporting of suspicious transactions, policies and procedures, record keeping and training.

2. Scope

The 'United States - AML KYC Regulations' report may be used as a reference to highlight information from the United States' *Bank Secrecy Act*, and the *USA Patriot Act*.

Under the guidelines from Financial Crimes Enforcement Network (FINCEN) and the aforementioned Act(s), this document highlights the necessary requirements for AML and KYC procedures, in particular, Identity Verification required in the United States. These requirements are approximated from relevant information/laws/directives from the aforementioned document.

3. Definitions

- **Client**: Shufti Pro's customer is referred to as the Client.
- **Customer**: The client's customer whose subject to the KYC - AML checks.
- **End-user**: The client's customer is referred to as the end-user but from Shufti Pro's perspective.
- **Document Verification**: The process of verifying the authenticity of a government-issued identity document.
- **Identity Verification**: The process of verifying the identity of the client's customers.
- **Proof of Identity**: Any government-issued identity document that can be used to identify an individual (natural person).
- **EDD**: Enhanced Due Diligence (EDD) is a process that executes a greater level of scrutiny related to potential business relationships.

- **Third-Party Diligence**: Outsourcing of the due diligence process to an external party by the Client who is originally responsible for carrying out due diligence activities.
- **PEP**: Politically Exposed Person (PEP) is a person with a higher risk for potential involvement in bribery/corruption.
- **Due Diligence**: Refers to the measures taken to mitigate risk before entering into an agreement or carrying out a financial transaction with another party.

4. References

- [Anti-Money Laundering \(AML\) Source](#)
- [Electronic Code of Federal Regulations](#)
- [Customer Due Diligence Requirements for Financial Institutions - Bank Secrecy Act](#)
- [USA Patriot Act of 2001](#)
- [Transfer and Reorganisation of Bank Secrecy Act Regulations; Final Rule](#)
- [The Anti Money Laundering Act 2020](#)

5. Due Diligence Requirements

5.1. Identity Verification Requirements

As per the requirements of the United States' regulations, these are the following ID attributes required for the purpose of identifying a natural person (Individual) from official documents.

- Name;
- Date of birth;
- Address;
- Identification number, which shall be:
 - For a U.S. person, a taxpayer identification number;
 - For a non-U.S. person, one or more of the following: A taxpayer identification number, a passport number and country of issuance, an alien identification card number, or the number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or

similar safeguard.

5.2. Compliant CDD Methods

We (Shufti Pro) may apply one or more of the following measures at the request of the Client to perform Identity Verification on its behalf. Where an End-user is an individual, who does not present himself to the Client for verification in physical presence.

- 5.2.1. Shufti Pro shall perform verification of the End-user's identity on the basis of documents that are highlighted in 5.3. These documents provide reasonable reliability to the confirmation of the identity in the United States. Shufti Pro shall ensure that documents being utilised are photo-based biometric identification documents that suffice requirements for Identity Verification.
- 5.2.2. Shufti Pro can also perform verification of the End-user's identity through a real-time audio-video transmission, where a live, interactive video session is carried out between an Identification Expert and the End-user. During this session, the End-user will be asked to show their identity documents. The End-user will also be asked to perform some random gestures as a part of a liveness check.
- 5.2.3. For the purpose of verifying the End-user's identity, Shufti Pro shall also verify the documents that are submitted. We utilise our specialised Document Verification service to perform checks on the authenticity of the document. This includes checks on security features such as holograms, tapered/crumpled edges, doctored elements, form inconsistencies, document expiration, MRZ, reflected colours and microprinting.
- 5.2.4. Shufti Pro can also perform background checks on individuals and businesses from a vast database of global sanctions lists, watchlists, fitness and probity lists and adverse media. A database of more than 1700 such lists exists against which the name and date of birth of the individual is checked for any red flags.
- 5.2.5. In the case of verification of the identity of legal persons or partnerships Shufti Pro shall extract the information from the commercial register or a comparable official register through its

process (KYB).

5.3. Documents Required for Verification

The following documents are considered in the United States as Proof of Identity:

Identity Verification

- A valid passport;
- Drivers licence;
- Social security card.

Address Verification

The following documents are considered as proof of address:

- A current utility bill (such as gas, electricity, telephone or mobile phone bill);
- A document issued by a government department that shows the End-user's address;
- A bank statement (no older than 3 months that shows the End-user's address).

5.4. Timing of Verification

Identity Verification is not limited to a one-time, one instance process. In fact, it is required in multiple instances as per regulations. The application and choice of when to deploy Identity Verification procedures depend on your requirements and its conveyance to Shufti Pro.

You are to pursue Identity Verification when you onboard a new Customer. If you are dealing with transaction data, you should apply Identity Verification as per the monetary thresholds defined in United States' regulations. In other instances, Identity Verification becomes more important to employ if you face higher risks from your Customers. A high risk situation would be any instance where an Individual might represent above normal exposure of money laundering related threats to you.

6. Politically Exposed Persons and EDD Measures

As per the Enhanced Due Diligence requirements under United States' regulations, you are required to determine if your Customer is a Politically

Exposed Person, holds a public office, or exhibits a higher risk profile. In order to fulfil your obligations, Shufti Pro provides you its *AML Screening service*. The service screens an individual's selected ID attributes of *Name* and *DOB* against watchlists of global regulatory authorities, foreign and domestic databases, compromised PEPs and sanctioned individuals.

The service highlights the category of the PEP based on the degree of risks they pose and also any immediate family member, or a close associate of the PEP.

You may utilise such services as per your requirements. This includes before or after establishing a relationship with your Customer.

7. Reliance on External Services

United States' regulations state that you may seek the services of a third party to apply measures of due diligence. Regulations also require you to collect all such data (Diligence Information) from the third party, without undue delay. In this scenario, we will be the external third-party service provider to you.

United States' regulations state that you, regardless of reliance on a third party, remain liable for maintaining all such compliance and fulfilling AML and KYC obligations.

8. Record Retention

As per the United States' regulations, you are required to retain data for not less than five (5) years. These are a part of your AML and KYC obligations for due diligence. In the case where this information is processed, collected and managed by a relevant third-party, you are liable to collect all such necessary information(Due Diligence Data) from the third party without undue delay.